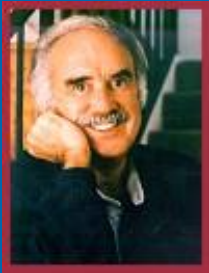


Will California Fix Its Health Insurance Problem?



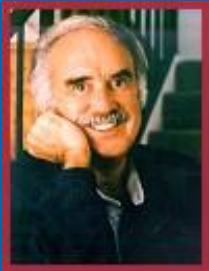
Daniel J.B. Mitchell
Ho-su Wu Professor
UCLA Anderson Grad School of Management
And
UCLA School of Public Affairs



*LERA/National Policy Forum
June 15, 2007
Washington, DC*



Will California Fix the Nation's Health Insurance Problem?



Daniel J.B. Mitchell
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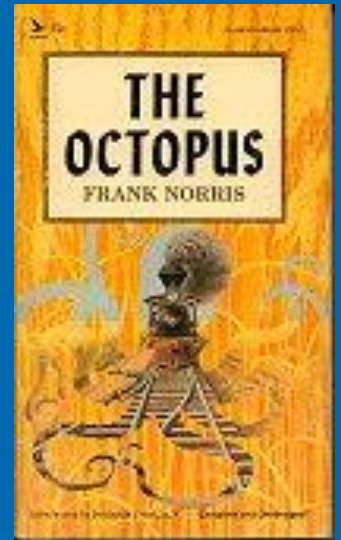
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Early California History

➤ Direct Democracy under Gov. Hiram Johnson

- Initiative
- Referendum
- Recall
- Workers' comp
- Women's suffrage



Early California History

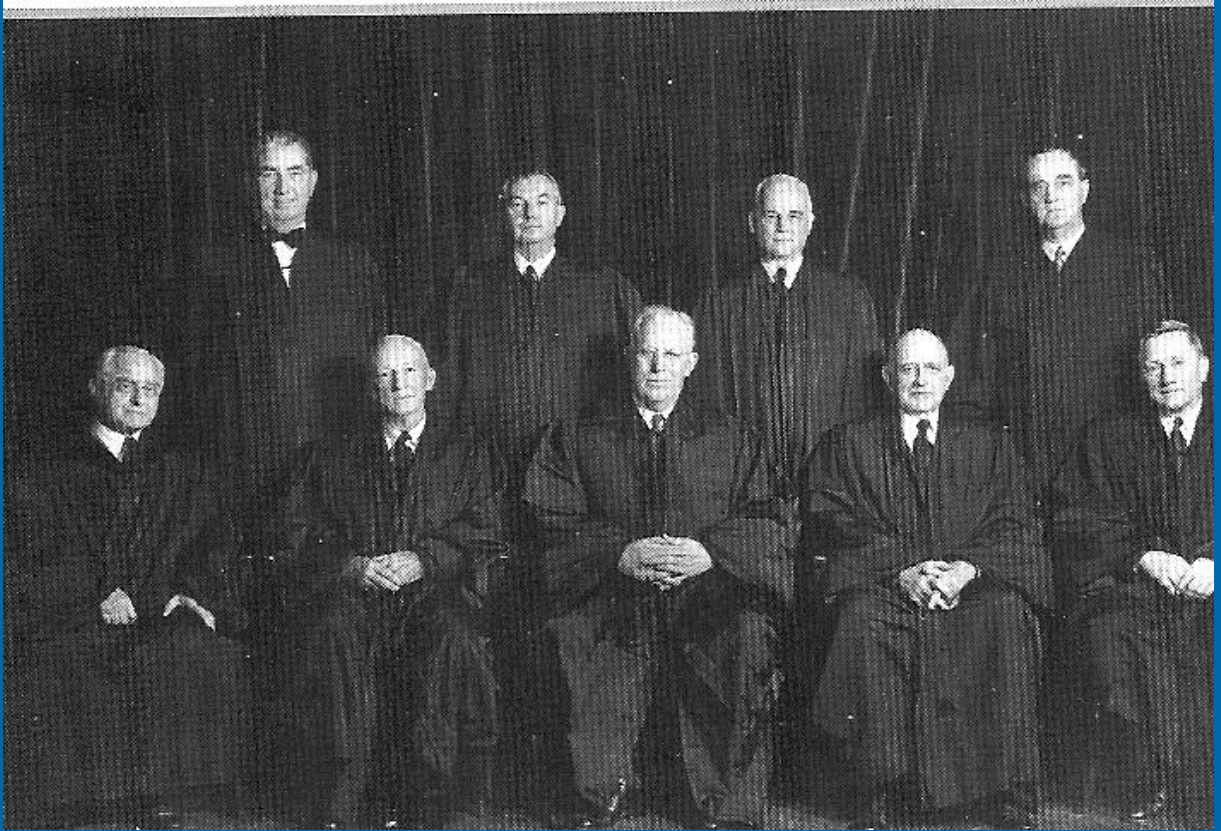
- World War I era ballot proposition
- 1935: Doctors' plan
- Gov. Culbert Olson's plan
- Calif. Physicians Service

Blue Shield of California
An Independent Member of the Blue Shield Association





California Governor



The U.S. Supreme Court in 1953



Act I: 1945

- Consulting the docs (a bit)
- Announcing the plan
- Doctor opposition

Blue Shield of California
An Independent Member of the Blue Shield Association

*Whitaker and Baxter
Calif. Physicians Service*

- Business opposition
- AFL vs. CIO



Fee for service vs. capitation

- Failure
- Hospitalization only plan
- Failure again



Act II: 1947

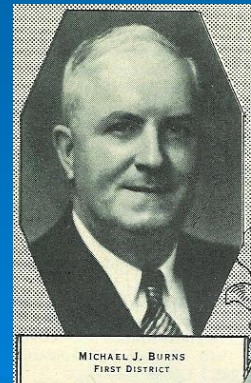
- **Background:
1946 Election**
- **Expansion of job-based
private plans esp. union**
- **Catastrophic Health
Insurance Plan**
- **Employer play or pay**
- **Failure again**



Collier-Burns Act ***(1947)***

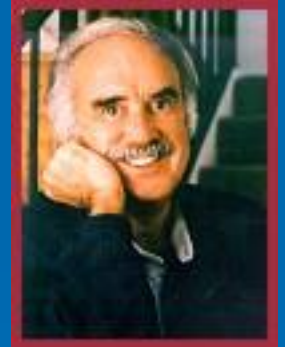
- **Proposal: Put gas and other motor-vehicle related taxes into trust fund to avoid tax “diversion”**
- **Raise gas and related taxes to build freeways and other roads**



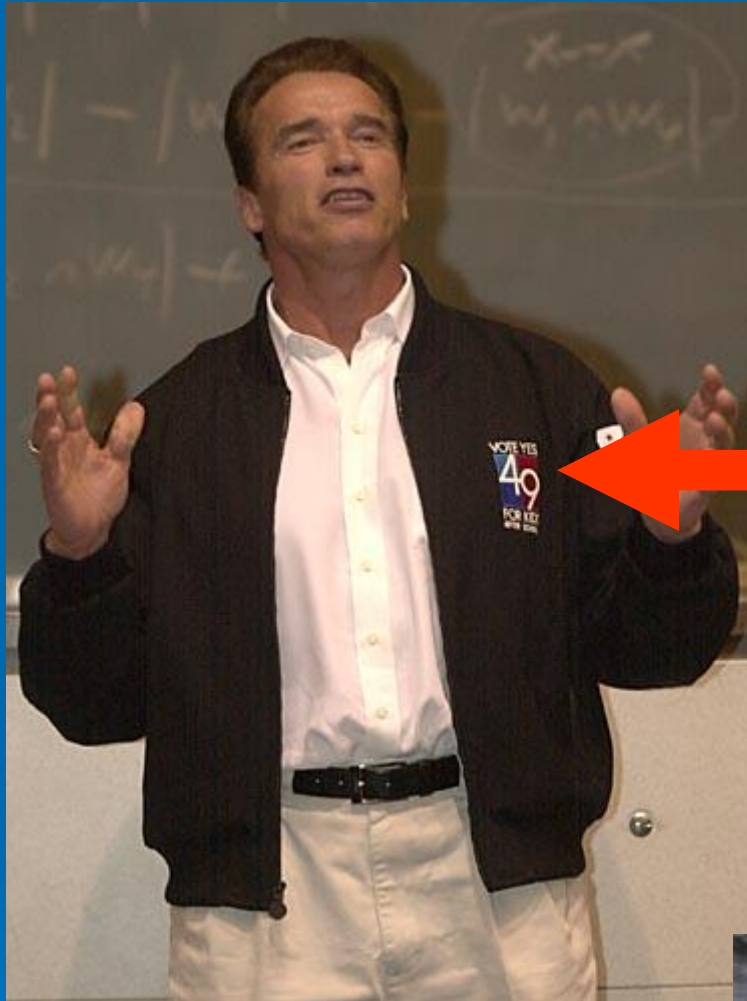


Post-Warren

- **1992: Proposition 166**
 - Employer mandate
 - Doctor driven (CMA)
 - Yes 31%; No 69%
- **1994: Proposition 186**
 - Single payer
 - Yes 23%; No 77%
- **2003: Burton Bill (SB2)**
 - Employer mandate (pay or play)
 - Pre-recall signing by Davis
 - Repealed by referendum Proposition 72 (2004)
 - Yes (sustain law) 49.2%; No 50.8%



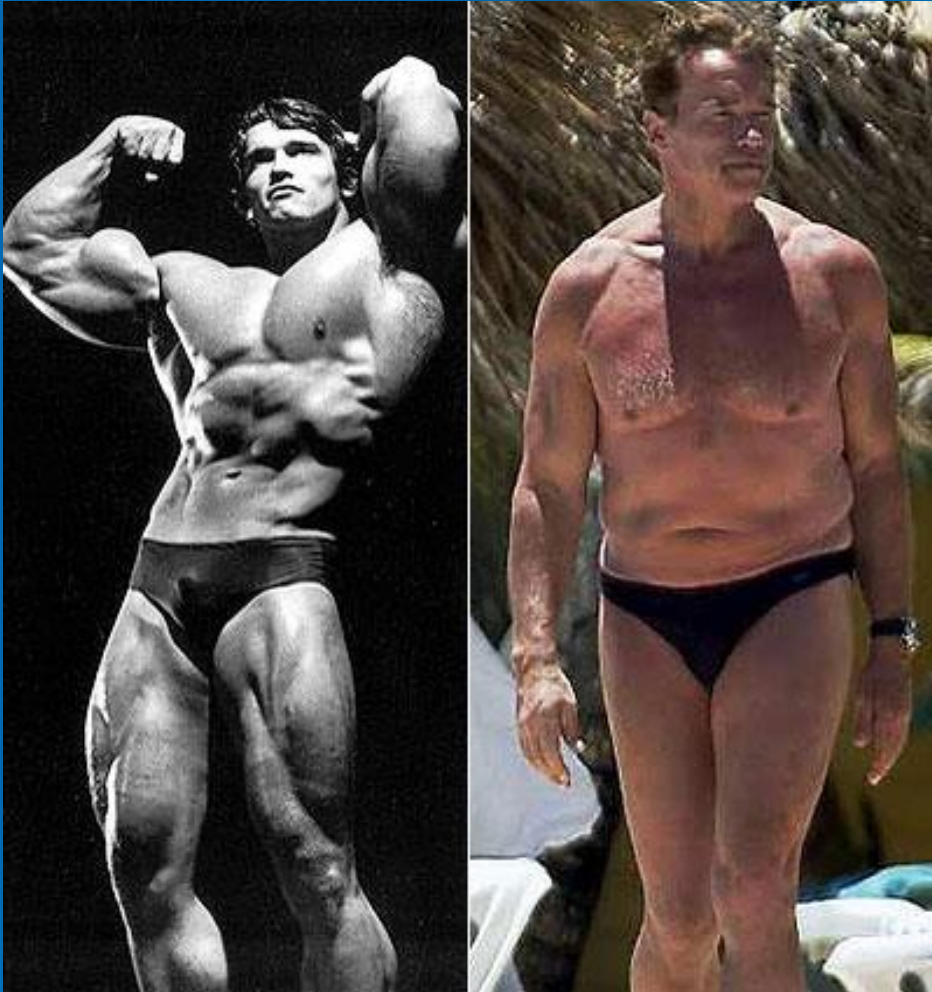
Prop 49: 2002



**After-School
Activities**



Universal health care in California?



California has an aging population, although less so than the US as a whole.

***“They can join and jump on the train.
No. 2, they can go and stay behind and
just wave... Or, No. 3, they get in front of
the train. And you know what happens
then.”***

Gov. Schwarzenegger 2005



Jan. 2006: Message Received



The Era of Good Feelings

...and the upcoming
Nov. 2006 election

Jan. 2007: We will
get this done.



**Universal health
insurance**

\$12 billion from state, federal, employers, individuals

Population Movements (in millions)

Table 3: Net Changes in Population for Entire Population (Under Age 65)			
Insurance Source	Before	After	Change
Public Insurance	6.6	8.1	1.5
Employer-Provided Insurance	18.8	18.8	0
Non-Group Insurance	2.1	2.7	0.7
New Pool for Low Income	0	1.9	1.9
Uninsured	4.9	0.8 *	-4.1
Total	32.4	32.4	0

Jonathan Gruber, MIT: 5/16/07

<http://calhealthreform.org/images/gruberstudynunezperata051607.pdf>

Prison Crisis



Infrastructure Needs



Roads

Public transit

Water



Structural Budget Deficit



2/3 vote required

Britain

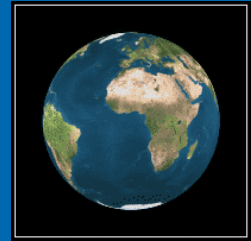


AP /Eriko Sugita, POOL

Japan



Mexico



Canada

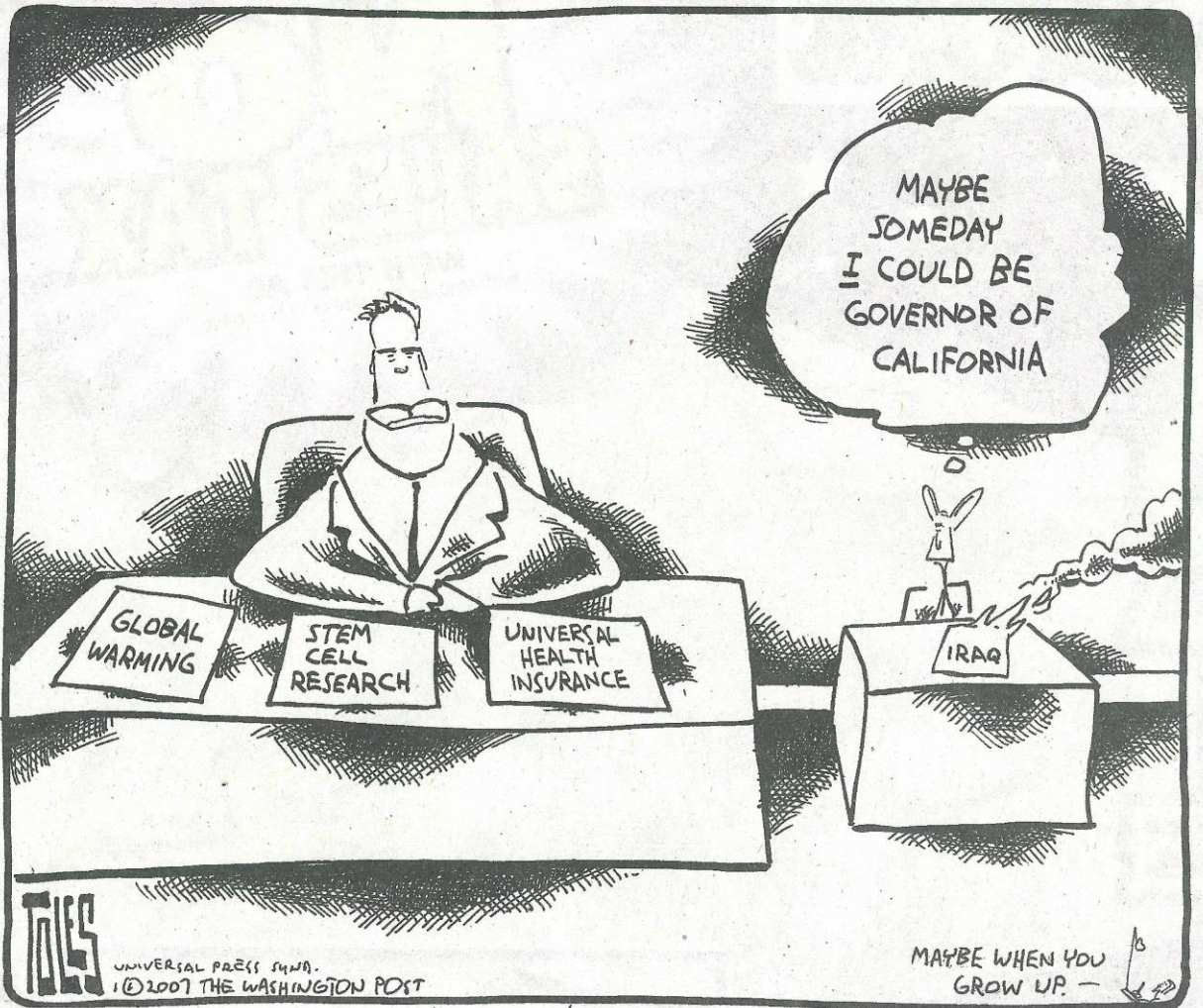




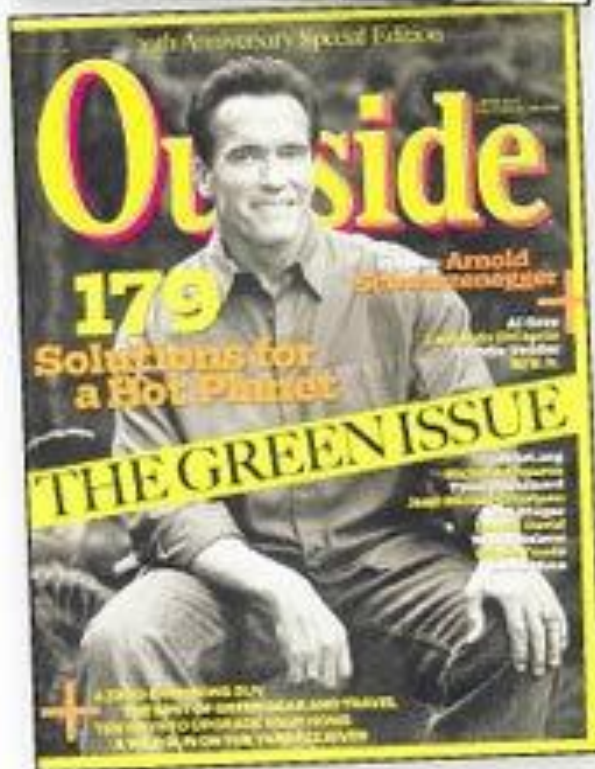
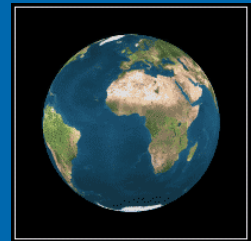
OPINION

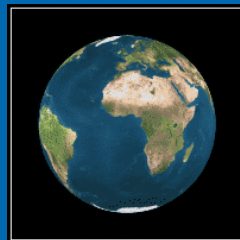
1/13/07

LOS ANGELES TIMES



TOM TOLES Washington Post





Enough green glory, governor. Now get back to work

The cover of Newsweek's nice, but what about term limits, prison overcrowding and healthcare reform?

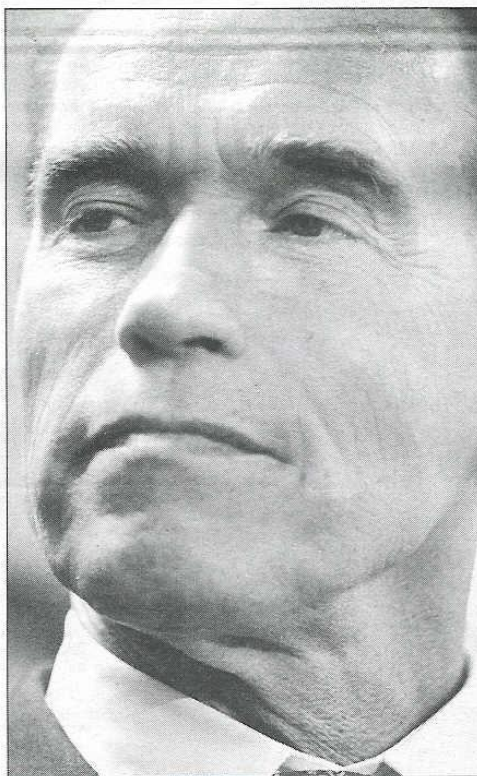
BY ANTHONY YORK

OF LATE, Gov. Arnold Schwarzenegger has ridden the green wave to national — even global — prominence. He has received fawning media coverage — landing on the covers of Newsweek and Outside — as he travels the nation calling for tougher controls on carbon emissions to slow global warming.

In a New York speech, he scolded Detroit automakers for challenging California's stricter car-emissions standards, and in Washington, he preached that environmentalism is "hip." He will even appear in an episode of MTV's "Pimp My Ride" to inspect a remade car that runs on clean-burning fuel.

Schwarzenegger's green crusade has been a marketing coup, but some festering political issues at home may abruptly bring him down to political earth. Resolving these problems will do more to shape his legacy as governor than the landmark legislation he signed to slow global warming.

Chief among them is overcrowding in the state's prisons, in which 172,000 inmates occupy space for 100,000 and about 16,000 convicts are sleeping in hallways, gyms, recreation rooms or other areas not designed for housing. A federal judge has given the state until May 16 to come up



STEFAN ZAKLIN European Pressphoto Agency

SPOTLIGHT: Gov. Arnold Schwarzenegger's green crusade has been a marketing coup, but it won't help him come up with a legislative sequel.

ber was under construction in San Quentin. Senate President Pro Tem Don Perata (D-Oakland) said the administration's secrecy on the project raised doubts about

islative form.

The governor's aides have been meeting with the legislative leadership, insurers and physician and hospital groups as many as four times a week. The Democratic leaders of the Assembly and Senate are expected to unveil their proposals this week. So far, Schwarzenegger seems content to allow others to introduce legislation.

Then there's the dreaded May budget revision, when state finance officials get their tally of actual tax receipts and compare them with the governor's January revenue and spending projections. Early indications are that the state's revenues will be at least \$1 billion less than projected by the state Department of Finance in January. This probably will motivate Republicans, led by Assemblyman Mike Villines of Clovis, to urge the governor to take a harder line on state spending. In contrast to last year, all sides are girding for a long budget fight this summer. Villines has already sided with business groups in opposing the governor's healthcare plan, which they say will impose new taxes on California businesses.

Schwarzenegger, meantime, must deal with two political reform issues that could blow back on his prison and universal healthcare goals. Democratic leaders have put forth a term-limits proposal — one 12-year stint



***MEETING THE GOVERNOR:
Friday afternoon, at the
Disneyland Hotel, Dr. William
Burke, left, introduces Gov.
Arnold Schwarzenegger to the
International Asthma Conference.
Jonah Ramirez, 11, center, beams
upon their meeting. Ramirez, the
American Lung Association's
"Asthma Ambassador" had just
addressed the conference
himself. OC Register 4/28/07***

13.5% Uninsured 2005

Currently insured

Currently insured



■ Currently insured ■ Not currently insured

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

All Ages

7.3% Uninsured 2005

Currently insured

Results restricted to: Age in years: 0 - 18

Currently insured



Currently insured

Not currently insured

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

Ages 0-18

7.3% Uninsured 2005

Type of current health coverage source - under 65 years old

Results restricted to: Age in years: 0 - 18

Type of current health coverage
source - under 65 years old



Uninsured Medicaid Healthy Families / CHIP Employment-based
Privately purchased Other public

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

Ages 0-18

Ages 0-18: 2005

 Uninsured	7.3% (6.6 - 8.1) 763,000
 Medicaid	27.3% (26.1 - 28.4) 2,835,000
 Healthy Families / CHIP	6.5% (5.9 - 7.2) 681,000
 Employment-based	52.3% (51.1 - 53.6) 5,442,000
 Privately purchased	5.4% (4.8 - 5.9) 558,000
 Other public	1.2% (0.9 - 1.4) 124,000

Source: 2005 California Health Interview Survey

18% of uninsured are illegal aliens

Daniel J.B. Mitchell: LERA/NPF 6/15/07 Washington, DC

18.7% Uninsured 2005

Currently insured

Results restricted to: Age in years: 19 - 64

Currently insured



Currently insured

Not currently insured

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

Ages 19-64

18.7% Uninsured 2005

Type of current health coverage source - under 65 years old

Results restricted to: Age in years: 19 - 64

Type of current health coverage
source - under 65 years old



Uninsured Medicaid Employment-based Privately purchased
Other public

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

Ages 19-64

Ages 19-64: 2005

 Uninsured	18.7% (18.0 - 19.4) 4,093,000
 Medicaid	10.9% (10.4 - 11.4) 2,387,000
 Employment-based	61.0% (60.2 - 61.8) 13,348,000
 Privately purchased	6.8% (6.4 - 7.2) 1,482,000
 Other public	2.6% (2.3 - 2.8) 562,000

Source: 2005 California Health Interview Survey

25% of uninsured are illegal aliens

0.7% Uninsured 2005

Currently insured

Results restricted to: Age in years: 65 - 106

Currently insured



■ Currently insured ■ Not currently insured

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

Ages 65 and Up

0.7% Uninsured 2005

Type of current health coverage source - 65+ years old

Results restricted to: Age in years: 65 - 103

Type of current health coverage
source - 65+ years old



Medicare & Medi-Cal Medicare & Other Medicare only Other only
Uninsured

Source: 2005 California Health Interview Survey

www.CHIS.ucla.edu

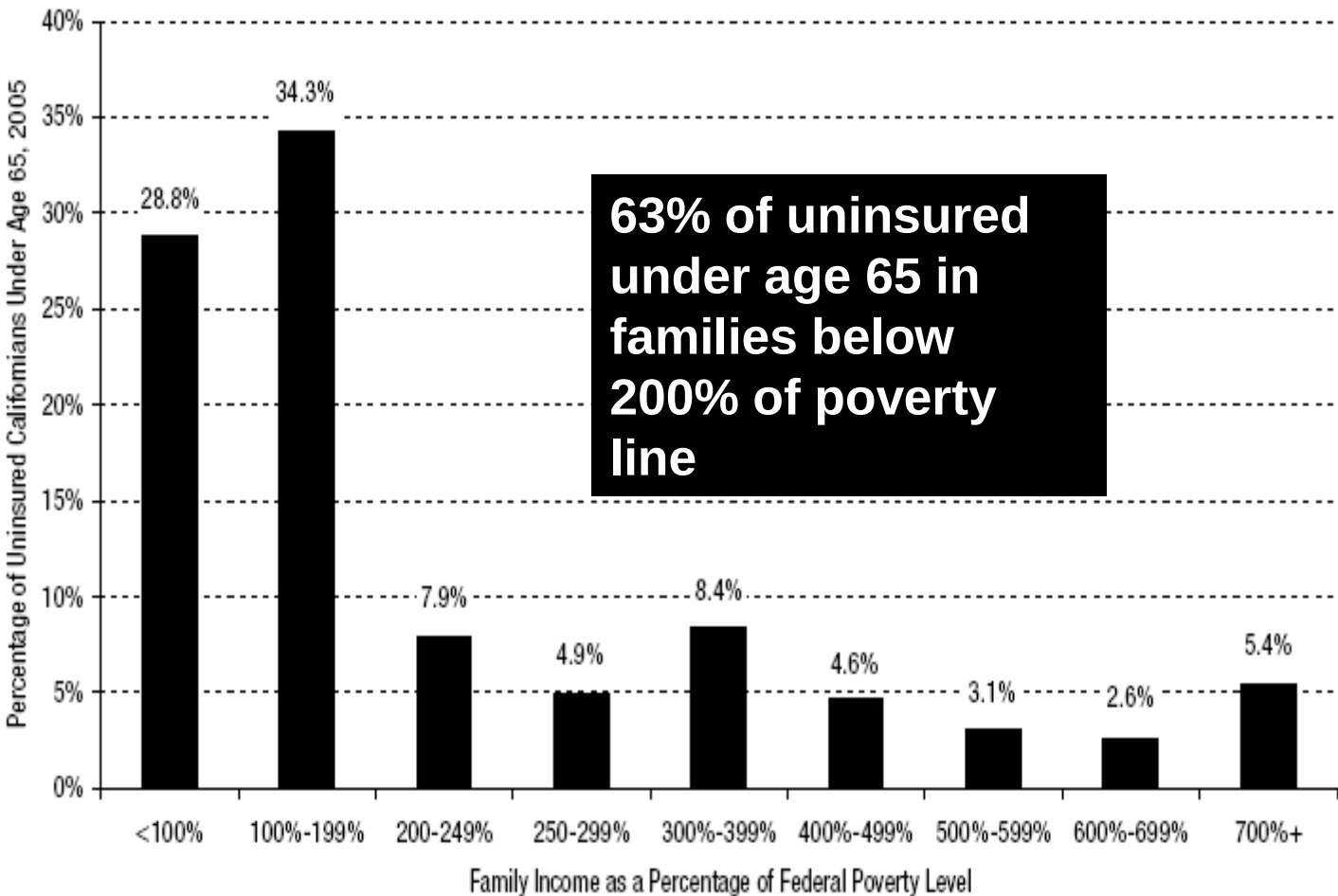
Ages 65 and Up

Ages 65 and Up: 2005

 Medicare & Medi-Cal	20.0% (18.6 - 21.3) 774,000
 Medicare & Other	67.8% (66.3 - 69.3) 2,626,000
 Medicare only	6.7% (5.9 - 7.5) 259,000
 Other only	4.8% (4.1 - 5.5) 187,000
 Uninsured	0.7% (0.4 - 1.0) 27,000

Source: 2005 California Health Interview Survey

Figure 1: Most Uninsured Californians Have Incomes Below Twice the Poverty Line,
But Many Have Higher Incomes

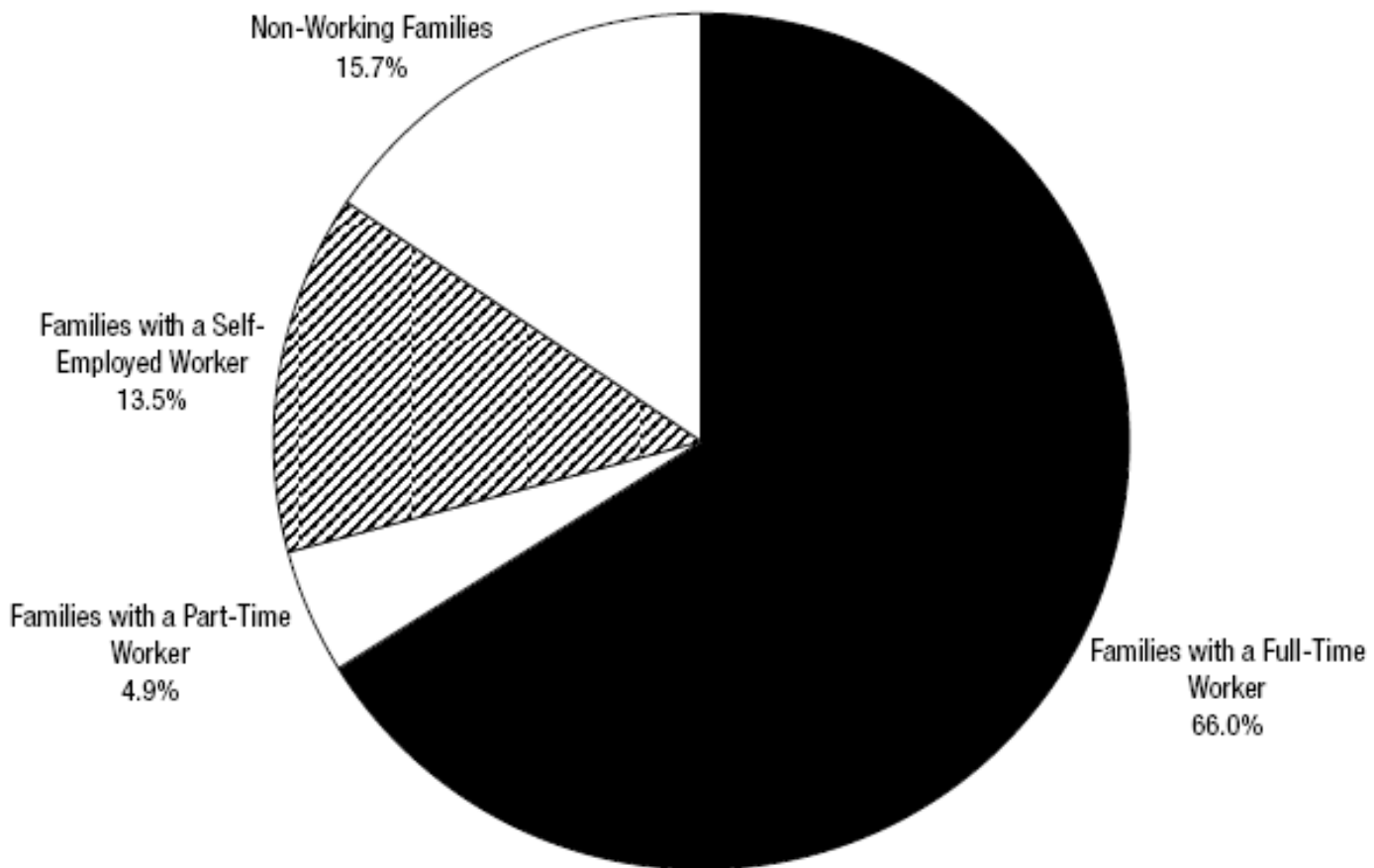


California Budget Project based on 2005 CHIS data

http://www.cbp.org/pdfs/2007/0705_bb_affordability.pdf

Daniel J.B. Mitchell: LERA/NPF 6/15/07 Washington, DC

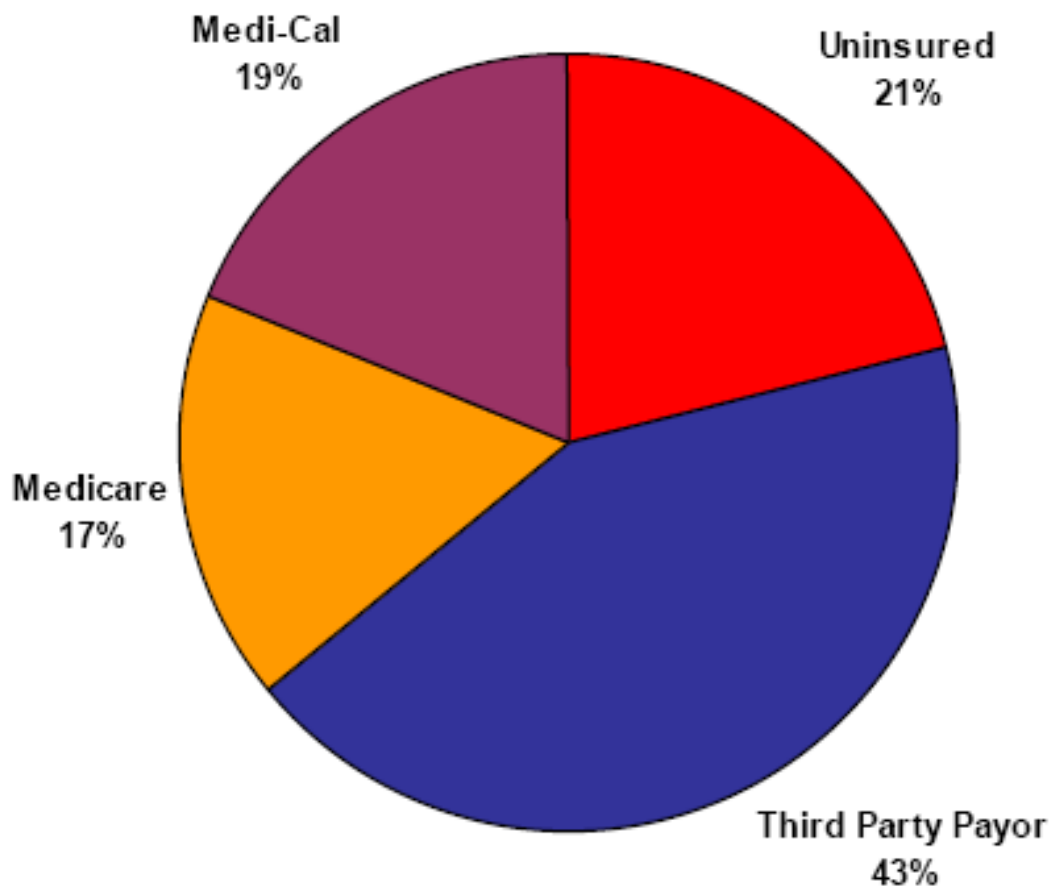
Figure 2: Most of the Uninsured Are in Working Families



California Budget Project based on 2005 CHIS data:
Individuals under age 65.

http://www.cbp.org/pdfs/2007/0705_bb_affordability.pdf

Emergency Room Utilization by Payor



(Source: Office of Statewide Health Planning and Development)

CMA document in support of retaining SB2 under Prop 72

http://www.calphys.org/assets/applets/er_report_072704.pdf

2003-4 Southern California Supermarket Strike



Kroger

Safeway

2003-4 Southern California Supermarket Strike



Steven A. Burd
CEO Safeway



Burd et al Proposals

Coalition to Advance Healthcare Reform

- Health insurance required for everyone (individual-based)
- Subsidized insurance for those with low incomes
- Preexisting conditions covered
- Incentives for healthy behavior and prevention
- Tax deductions for individuals who buy insurance
- Costs of care revealed to consumers



Burd et al Proposals

Coalition to Advance Healthcare Reform

- Health care for everyone
- Subsidies for low income
- Preexisting conditions
- Incentives for prevention
- Tax deductions for those who buy insurance
- Costs of care revealed to consumers



Legislature Proposals

Democratic leadership plans

- Almost all employers must provide health insurance or pay into a state fund
- Workers must accept employer insurance if offered (Assembly plan only)
- Insurers spend at least 85% of premiums on healthcare
- State-run insurance purchasing pool
- Incentives for healthy behavior and prevention under state-arranged insurance
- State insurance for all children from low- and moderate-income families
- Mandatory insurance for families with moderate incomes or higher (Senate plan only)
- Insurers could not refuse to sell policies to anyone (Senate only)
- Insurers must offer some plans with uniform benefits (Assembly only)



Legislature Proposals

Republican lawmakers' plans

- Expand neighborhood healthcare clinics to ease emergency room crowding
- Tax-free savings accounts allowed for high-deductible insurance
- Increased state payments to doctors and hospitals that treat the poor
- Medical providers get tax credit for unreimbursed treatment
- Reduction of mandates on what insurers cover
- Help for small businesses that join to buy insurance (Assembly only)
- Employers may buy combined health and worker-compensation coverage (Assembly only)
- Preexisting conditions covered (Assembly only)
- All First Five funds spent on children's healthcare (Senate plan only)





State Sen. Sheila Kuehl

Single Payer

Formerly Zelda
on Dobbie
Gillis



Governor's Proposal

➤ Yet to be a bill:

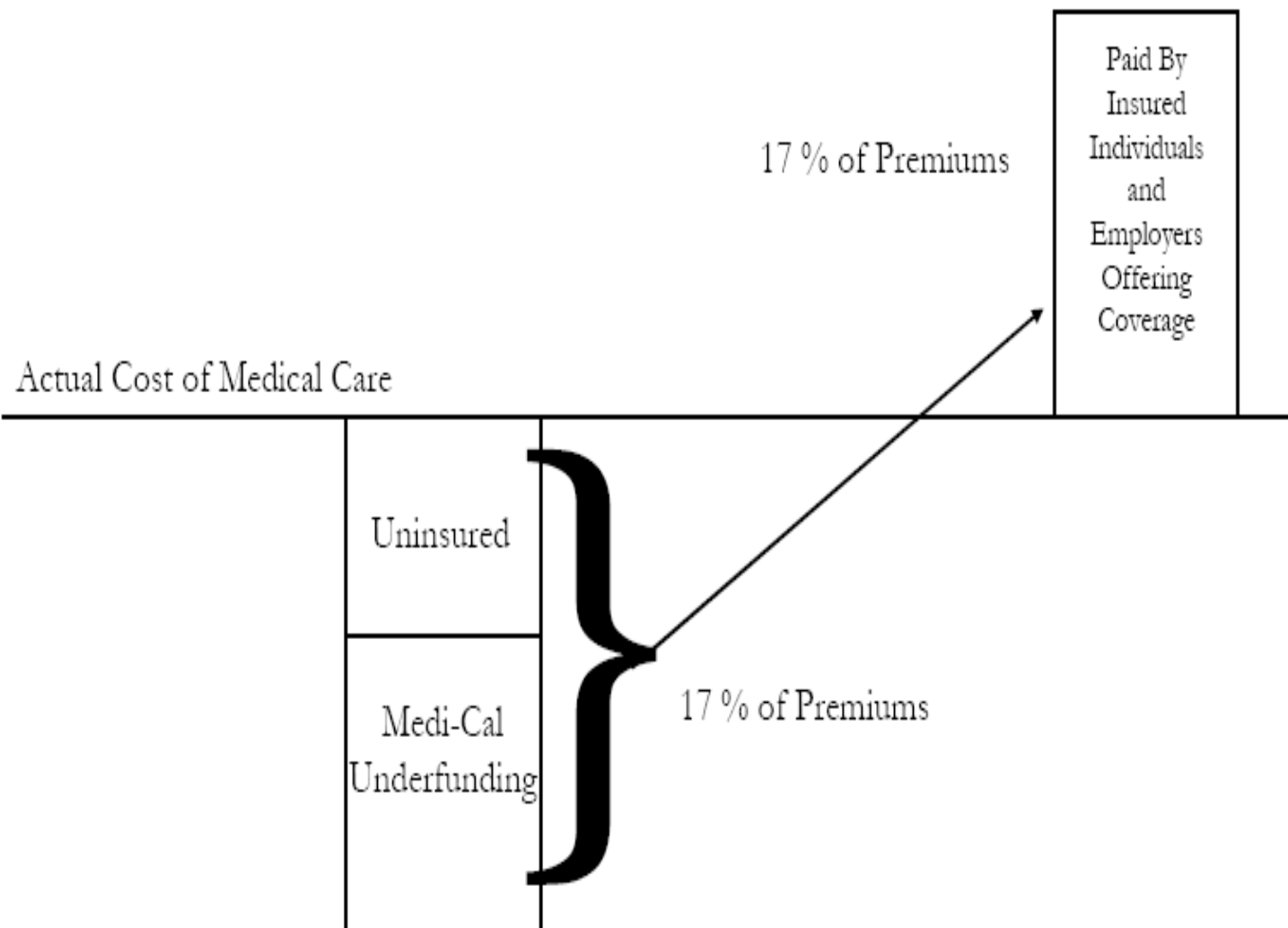
- Health insurance required for everyone
- State-subsidized insurance for those with low incomes
- Companies with 10 or more workers provide insurance or pay into a state fund
- Incentives for healthy behavior and prevention
- Insurers could not refuse to sell policies to anyone or charge unhealthy people more
- Insurers spend at least 85% of premiums on healthcare
- Increased state payments to doctors and hospitals that treat the poor
- Fees assessed on earnings of hospitals and doctors
- State-subsidized insurance for all children from low- and moderate-income families
- Tax-free savings accounts allowed for the purchase of high-deductible insurance



From official proposal:

<http://www.stayhealthycalifornia.com/>

Hidden Tax



Los Angeles Times | Wednesday

CLASSIFIED

APR 17 2014

How To Get Free Money From The U.S. Government!

Can You Qualify To Get FREE Grant Money & Interest-Free Loans From Uncle Sam?

Learn how to get free money from the U.S. government. This is a real opportunity to get free money from the U.S. government.



As a small business owner, you know how hard it is to get a loan from a bank. But now you can get a loan from the U.S. government.



Learn how to get free money from the U.S. government. This is a real opportunity to get free money from the U.S. government.



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Uncle Sam's Secret

Uncle Sam's secret is that he has a lot of money. He has a lot of money that he can give to you. He has a lot of money that he can give to you.

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Growing Consolidation of Health Insurance Providers

➤ Top 7 HMOs & Top 6 PPOs

- Kaiser (no PPO)
- Blue Cross
- Blue Shield
- Cigna
- Aetna
- Pacificare
- Health Net



➤ HMOs: 9 out of 10 covered age < 65

➤ PPOs: 7 out of 10 covered age < 65

Growing Consolidation of Health Insurance Providers

- Fewer players (might) = easier deals
- Less risk of Harry and Louise type campaigns?
- Too late; they're back!

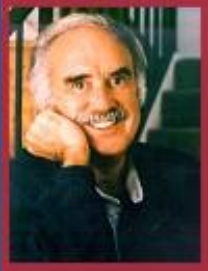


Uncertain Future

- **Lack of legislative consensus?**
 - Priorities, focus
- **ERISA preemption?**
 - The Maryland example
- **Fee vs. tax**
 - Prop 13 (1978) and 2/3 vote requirement
- **Direct democracy**
 - Repeal via referendum as in 2004



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